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East Ayrshire
COUNCIL

Our Ref: A-001-DAH/PM

4 January 2007

Mr Emeric Heydel
European Structural Funds Division
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Dear Sir

**SCOTTISH EXECUTIVE CONSULTATION
FUTURE EUROPEAN STRUCTURAL FUNDS
PROGRAMMES IN LOWLANDS AND UPLANDS SCOTLAND 2007-2013**

I refer to the consultation on the future European Structural Funds Programmes in Lowlands and Uplands Scotland 2007-2013 and have pleasure in enclosing the provisional response from East Ayrshire Council.

East Ayrshire Council is very grateful for the opportunity to comment on the proposed Programmes as Structural Funds are extremely important sources of financial support for projects that will assist with the economic regeneration of the area.

East Ayrshire Council has also played an active part in the preparation of the West of Scotland European Consortium and therefore supports the general thrust of the WoSEC submission.

Yours faithfully

James T Kane
Acting Executive Director of Development and Property Services

DAH/PM
04-01-07
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SCOTTISH EXECUTIVE CONSULTATION

FUTURE EUROPEAN STRUCTURAL FUNDS PROGRAMMES IN LOWLANDS AND UPLAND SCOTLAND 2007 – 2013

PROVISIONAL COMMENTS – EAST AYRSHIRE COUNCIL

Question 1: Are there any additional socio– economic factors to be considered – and which Structural Funds can address – in assessing the strengths, weaknesses and opportunities of Lowland and Uplands Scotland.

The Socio-Economic factors that have been used are in general relevant and appropriate. Information on derelict and vacant land could also have been incorporated. The recycling of these areas to productive use is particularly relevant to the overall environmental and regeneration objectives of the Structural Funds.

However, the conclusions drawn from the analysis of the data tend to be generalised and categorise the Lowland and Upland Scotland area into typecast urban and rural areas for ease of description.

It is important to recognise that there are significant areas within the LUPS area that experience “urban” deprivation issues in a “rural” environment. Examples include former coalfield and textile areas. Within East Ayrshire these issues are particularly evident in the Coalfield area and other rural areas such as the Irvine Valley that were previously so dependent on employment in textiles.

The lack of recognition of the specific issues experienced in these areas in the socio-economic analysis results in them failing to be considered or addressed in the subsequent development of Priorities.

In recognition of the fact that the overall level of structural funds will be significantly lower than in previous programmes, real impact and additionality will only be achieved if assistance is concentrated on those areas and themes where the biggest regeneration challenges continue to exist

Question 2: Do the proposed priorities for the 2007-2013 ERDF programme in Lowlands and Uplands Scotland address the strengths, weaknesses and opportunities of the Region?

No. The Regeneration Policy Statement “People and Place” provides the Scottish Executive’s domestic policy priorities for regeneration and that document should act as one of the main drivers for the strategic priorities for the Competitiveness and Employment objectives in Scotland.

The Regeneration Policy Statement identifies Ayrshire as a geographic priority. It also acknowledges particular issues regarding the regeneration of former traditional industrial areas in general and gives specific reference to the need to give a focus of attention to the regeneration of Coalfield areas.

Unfortunately this recognition is not reflected in the proposed priorities for the 2007-2013 ERDF LUPS programme.

East Ayrshire Council is of the view that the analysis of the socio-economic factors fails to recognise the circumstances of many former coalfield and textile areas which reflect "urban" problems in a "rural" environment. In its response to the consultation on the Draft National Strategic Reference Framework, East Ayrshire Council expressed considerable concern that there was a danger of urban and rural areas being typecast and it is unfortunate that this has apparently happened.

It is vital that the potential eligibility of East Ayrshire to access funds particularly through the proposed ERDF Priority 2 and proposed ERDF Priority 3 is clarified.

The Introduction to the Draft Programme reports that for Priority 3 ERDF targeting will be applied using the "Scottish Executive Urban Rural Classification". The socio-economic background analysis within the Draft Programme identifies rural areas as areas with significant proportions of their populations living in accessible/remote small towns and accessible/remote rural areas. The whole of East Ayrshire excepting Kilmarnock is therefore "rural" by this definition including the small towns in the coalfield area and the former textile small towns in the Irvine Valley.

The deprivation issues experienced in these areas are deep rooted and are both "urban" and "rural" in nature. The Scottish Executive has recognised the issues and the difficulties in realising the regeneration of these areas within the Regeneration Policy Statement "People and Place " and in the past by designating the coalfield area as a Social Inclusion Partnership Area. The coalfield area is also a designated Priority 3 Community in the current 2000-2006 Western Scotland Objective 2 Programme.

Unfortunately the eligible activities identified in the proposed ERDF Priority 3 are in general less relevant to realising the regeneration of these former industrial/mining communities than the key activities identified or Priority 2. The key activities identified in Priority 2 ERDF including support for entrepreneurship, for the refurbishment of existing facilities to make them suitable for SME's, for small scale conversion and adaptation to industrial sites and business centres that offer employment or training facilities, for community investment funds to support credit unions and loan capital for social enterprises, for childcare, for ICT projects and to improve access and security around transport links are all very relevant to East Ayrshire.

Question 3: Do the proposed priorities for the 2007-2013 ERDF programme in Lowlands and Uplands Scotland show appropriate coherence and concentration?

No. The sections on General Background, Enterprise Sector and Urban Communities in the Draft Programme clearly demonstrate that in general the SW Scotland area requires to address considerably greater socio-economic challenges than do North-Eastern Scotland or Eastern Scotland.

Gross Value Added per head 2003 is lower in SW Scotland. The enterprise stock is lowest in SW Scotland. In terms of VAT registrations the lowest enterprise birth rate is in South West Scotland. In terms of expenditure in RTD 50% of expenditure is in Eastern Scotland, the main location being Edinburgh and West Lothian.

In relation to urban communities the analysis again confirms that the highest concentrations of multiple deprivation are in South West Scotland. Employment deprivation, education deprivation and poor health are also experienced in higher concentrations in South West Scotland than elsewhere.

The analysis further confirms that areas such as the NUTS 3 area of East Ayrshire and North Ayrshire are particularly disadvantaged economically and socially. This is further reinforced by Ayrshire being recognised as a priority for regeneration in the Scottish Executive's Regeneration Policy Statement "People and Place".

The analysis therefore confirms socio-economic disadvantage is focused in South West Scotland and is concentrated in particular areas within South West Scotland. This is not reflected within the Priorities.

The NSRF recognises that there are considerable disparities between and within the UK regions and expects that the regions will introduce geographical as well as thematic targeting of funds in their respective programmes.

The Draft Programme indicates that Priority 1 does not have geographic targeting. However it is conceded that the focus on RTD and growth sectors is such that the funds are likely to support activities surrounding higher and further education institutions and research centres. The majority of funds are therefore likely to focus support in the more prosperous parts of Scotland. The evidence from the SMART and SPUR Programmes for instance suggest that take up is more likely to be in the prosperous areas of Edinburgh and Aberdeen where many RTD and innovative projects are already located.

These are areas where there is little evidence of market failure. Structural funds should only be used in cases where free markets have genuinely failed to provide the goods or services by themselves and where the reasons for this market failure have been clearly identified. The Draft Programme has not demonstrated this to be the case in large parts of North-East Scotland and Eastern Scotland.

The centres for RDT and innovation tend to be concentrated in the major city areas where the major universities and the bulk of large companies undertaking RTD are based and therefore the balance of funds is likely to support projects in city and large urban areas.

Many of the research and innovation related projects located in these areas will also be eligible for support through the 7th Framework Programme. Care needs to be taken to ensure that activities supported under this priority complement rather than duplicate those eligible under FP7.

Within SW Scotland it is therefore likely that funds will focus on supporting projects within Glasgow City. Whilst some parts of East Ayrshire are within the influence of Metro West (Glasgow City Region) and may benefit from such investment substantial parts of East Ayrshire are outwith the direct influence of Metro West. A recent Research Report classifies the Ayrshire Coalfield (along with the coalfields in Kent, N.Wales and W.Cumbria) as being "Remoter Rural" and concludes that "the distance of these coalfields from any large city means that close integration with a metropolitan centre never has been, nor is likely to become, a significant feature of their local economy".

This approach will result in the further polarisation of economic prosperity within the Scottish region. The already prosperous areas will further prosper and areas of disadvantage will take up very little of the available funds. This is the directly opposite effect to that which structural funds are supposed to bring about.

In order to ensure that funds are distributed to best effect, in line with the objectives of Structural Funds, geographic targeting should be introduced within this priority perhaps at NUTS 3 or Local Authority level.

In relation to proposed Priority 2, as described above, the primary concern for East Ayrshire Council is the question of eligibility. The issues faced by the majority of communities within East Ayrshire are such that the opportunities provided through proposed ERDF Priority 2 are of most significance in realising regeneration objectives in general and in particular support for SME development.

Question 4: Do the proposed priorities for the 2007-2013 ESF Programme in Lowlands and Uplands Scotland address the strengths, weaknesses and opportunities of the region and should they be configured differently?

The analysis recognises many of the issues faced within East Ayrshire such as the very low proportion of working age people in Employment Education or Training.

The information on the labour market in deprived areas also highlights the circumstances of those living in the 15% most deprived areas where the percentage of people living in these areas who are in employment is very much less than those living in the rest of Scotland.

In East Ayrshire there are 14 data zones in the worst 15% located in urban Kilmarnock.

However there are also very significant concentrations of multiple deprivation in the former coalfield and textile areas in the south of East Ayrshire and in the Irvine Valley. These are areas that experience "urban" deprivation in a "rural" environment and these circumstances should be recognised in the analysis.

Information on projected demographic changes in the LUPS area over time such as migration, age profiles and overall labour supply would have usefully informed the SWOT analysis and identification of future geographic variations.

Question 5: Do the proposed priorities for the 2007-2013 ESF Programme in Lowlands and Uplands Scotland show appropriate coherence and concentration and should they be configured differently?

In relation to proposed ESF Priority 1 it is proposed that actions will be concentrated on particular urban areas and targeted on areas with the highest concentration of deprivation. There is a high concentration of deprivation in urban Kilmarnock where there are 14 data zones in the worst 15%. However within East Ayrshire there are also many areas of multiple deprivation in the former coalfield and textile areas and in order to realise the regeneration of these areas is vital that they are eligible for support under this measure.

From a practical viewpoint there may also be merit in subsuming proposed ESF Priority 3 into proposed ESF Priorities 1 and 2. This view is supported by evidence from the current programme where only about 10% of the 2000-2006 Lowland Scotland Objective 3 Programme was allocated to the Lifelong Learning Priority (Priority 3). Even with this smaller allocation it proved difficult in the early part of the programme to generate sufficient projects, resulting in these activities having to be included in the "rolling programme" process.

Question 6: What are your views on the proposed balance of funding between priorities for the future ERDF programme in Lowlands and Uplands Scotland?

East Ayrshire Council recognises that the constraints imposed by the Lisbon “earmarking” provisions have led to the Scottish Executive proposing that 48% of ERDF resources should be allocated to ERDF Priority 1.

However as there is no spatial targeting for proposed ERDF Priority 1 there is a serious risk that the funds will be used to support projects in the already prosperous parts of Scotland. This will contribute to increasing the differences in economic performance between areas of opportunity and areas of need within the Region and this is entirely contrary to the purpose of Cohesion Policy which is to overcome structural deficiencies in order to reduce economic, social and territorial disparities. In the circumstances there is a strong argument that, as well as being spatially targeted (per response to Q4) the proportion of funds allocated to this priority should be reduced.

The appropriateness of the proposed split between proposed ERDF Priority 2 and proposed ERDF Priority 3 depends largely on what will be eligible “urban” and “rural” areas.

The socio-economic analysis provided in the document is such that it is difficult to determine the proportion of people within the LUPS area that live in large/other urban areas as opposed to small towns/rural areas. However it is estimated that 66% of the population of the LUPS live in areas that are large/other urban. In addition 89% of the 15% most deprived data zones are located in large/other urban areas. This would suggest that a greater proportion of funding should be used to support proposed ERDF Priority 2 than proposed ERDF Priority 3.

A relatively small proportion of the population of the LUPS area live within small towns/rural areas. The analysis used to define rural deprivation which is based on access to rural services such as to a GP, primary school and supermarket is not convincing in economic terms and does not demonstrate areas of significant need. In addition many traditional rural areas will be able to access support through the Rural Development Fund and European Fisheries Fund.

This would suggest that that the proposed balance of funding is inappropriate and that a smaller proportion of the funds should be used to support proposed ERDF Priority 3.

It is suggested therefore that the proportion of funds to support proposed ERDF Priorities 1 and 3 be reduced and that the proportion of funds to support proposed ERDF Priority 2 be increased.

Question 7: What are your views on the proposed balance of funding between priorities for the future ESF programme in Lowlands and Uplands Scotland?

If it is decided to proceed with three ESF Priorities then based on past experience of the level of funds sought to support Access to Lifelong Learning projects then a 10% allocation to proposed ESF priority 3 may be appropriate.

Question 8: Do the proposed priorities outlined in the draft Operational Programmes focus sufficiently on the right priorities in Scottish domestic policy?

The draft Operational Programme refers primarily to Scottish Executive Strategies. The respective Structure Plans and Local Economic Forum Strategies might also have been referred to in order to inform the development of the proposed Priorities.

Question 9: What are your views on how the principle of environmental sustainability has been integrated into the Operational Programmes?

The Scottish Partners have considerable experience in including environmental sustainable as a Cross Cutting theme in the current structural fund programmes. The proposal to build on the work of the horizontal themes in the 2000-2006 programmes and to further mainstream them is appropriate.

Question 10: What are your views on how the principle of equal opportunities has been integrated into the Operational Programmes?

The Scottish Partners have considerable experience in including equal opportunities as a Cross Cutting theme in the current structural fund programmes. The proposal to build on the work of the horizontal themes in the 2000-2006 programmes and to further mainstream them is appropriate.

Question 11: What are your views on how the Operational Programmes will ensure complementarity between Structural Funds and other EU funding streams?

The proposal to undertake an annual meeting of the relevant management authorities to ensure complimentary with other EU funding streams is inadequate.

It would be more appropriate if a system could be identified whereby this was undertaken more regularly as part of the appraisal process at partnership level. This would allow complementarity at a sub regional level to be identified more clearly. The West of Scotland European Consortium has prepared a flow chart suggesting how this may be achieved.

Question 12: How can the challenge-fund approach be improved to make it more effective in delivering outcomes and more efficient in operation?

The challenge fund approach has been used to good effect within Scotland in earlier programmes. Of particular importance has been the requirement for projects to be set and justified within regional and local strategies. Given that the LUPS area is

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significantly larger than that covered under earlier programmes it will be even more important that individual proposals are set within the context of relevant local and regional strategies including Community Plans.

Question 13: What would be the most effective approach to using Community Planning Partnerships and other local partnerships for the delivery of elements of the programmes?

The proposed opportunity for Community Planning Partnerships, on a pilot basis, to deliver elements of Priority 2 ERDF and Priority 1 ESF is welcomed. However there is a concern that the initial pilot Community Planning Partnerships will be identified for a 3 year period. In reality this will mean that by the time evaluation is complete the opportunities for other Community Planning Partnerships to deliver these elements of the programme will be limited and this may have a negative impact on the realisation of their regeneration strategies.

Further clarification is also required as to how the pilot Community Planning Partnerships may be identified. One approach which would fit well with the Executive's Strategy would be to focus on those priority areas identified within in the Regeneration Policy Statement

A further important role for Community Planning Partnerships could be to verify the appropriateness of proposals as they relate to local Community Plans and Regeneration Outcome Agreements.

Question 14: What are your views on spatial targeting for community regeneration under ERDF Priority 2 and ESF Priority 1?

Spatial targeting is essential if the funds available under the proposed ERDF Priority 2 and ESF Priority 1 are to be used to good effect.

There are significant dangers however in focusing solely on supporting projects within the worst 15% data zones.

In many instances projects that would benefit the residents living in the worst 15% deprived data zones would not necessarily be located within those data zones themselves. Many of the most deprived areas are essentially residential areas.

Community Planning Partnerships should be "empowered" to define within some general parameters, their own priorities for spatial targeting.

Within Kilmarnock there are significant areas of multiple deprivation and projects in these areas are likely to be eligible for support under proposed ERDF Priority 2 and ESF Priority 1.

However within East Ayrshire, as described above, many of the worse 15% data zones experiencing "urban" deprivation are in fact located in small towns/rural areas and may not be eligible for support through these measures. This is a matter of considerable concern to East Ayrshire Council.

Given the above circumstances it would be appropriate to introduce geographic targeting perhaps at a local authority level.

Question 15: What are your views on spatial targeting for rural development under ERDF Priority 3?

Spatial targeting based on addressing market failure is required. None targeting of funds to rural areas in general may well result in the polarisation of economic circumstances with funds supporting projects in already prosperous areas.

The identification of targeted areas will require careful consideration however and will require to be subject to a significantly more robust process than the "accessibility" index used in the socio-economic analysis.

The proposal to allocate a proportion of funds to an Intermediate Delivery Body in the South of Scotland requires to be justified as there is little evidence to suggest that the circumstances of the Scottish Borders and Dumfries and Galloway are very different to other rural areas within the LUPS area.

Indeed there is some evidence to suggest that rural areas of East Ayrshire and South Ayrshire reflect greater socio-economic disadvantage than many other rural areas.

Question 16: Do you have any additional comments on the draft Structural Funds Operational Programmes for Lowlands and Uplands Scotland?

(1) East Ayrshire Council has some concern regarding the proposal to commission projects under Priority 1 ERDF from the Scottish Enterprise Network.

Smart Successful Scotland will be a key driver in the identification of projects and that strategy supports developments that relate to key sectors or projects within areas of opportunity. As mentioned previously, this would be in direct opposition to the stated objective of structural funds.

Within East Ayrshire it is likely that only Kilmarnock would be identified as a potential location for support and therefore the prospects of East Ayrshire benefiting significantly from this proposal are limited.

(2) East Ayrshire Council is also concerned that the role of Local Authorities within the proposed Implementing Provisions are not clarified. It is important that representation from democratically elected organisations is embedded within the provisions and this is a key issue for CoSLA, WoSEC and the Alliance for Regional Aid.

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